

Message Text

PAGE 01 NATO 05514 072331Z

60

ACTION EUR-10

INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-10 L-02 ACDA-10

NSAE-00 PA-01 RSC-01 PRS-01 SP-02 USIA-04 TRSE-00

SAJ-01 DRC-01 SS-14 NSC-07 OMB-01 /069 W

----- 030958

R 071900Z OCT 74

FM USMISSION NATO

TO SECSTATE WASHDC 8033

SECDEF WASHDC

INFO JCS WASHDC

USCINCEUR

AMEMBASSY PARIS

NSE/NSSG BRUSSELS

AMEMBASSY BONN

USNMR SHAPE

C O N F I D E N T I A L USNATO 5514

E.O. 11652: GDS: 12-31-80

TAGS: NATO, XG, ETRN

SUBJECT: CENTRAL EUROPE PIPELINE SYSTEM (CEPS) BUDGET FOR 1975

BEGIN SUMMARY. DRAFT 1975 CEPS BUDGET PROPOSED TO WORKING GROUP BY GENERAL MANAGER, CEOA, FORECASTS EXPENSES OF FF 163 MILLION AND RECEIPTS OF FF 106 MILLION, LEAVING NET DEFICIT OF FF 57 MILLION, SOME FF 10.5 MILLION MORE THAN CURRENTLY ESTIMATED 1974 DEFICIT. WORKING GROUP, IN NEW PROCEDURE, SCREENED BUDGET IN FUNCTIONAL AREAS TO REPORT TO CEPPC ANOMALIES BETWEEN DIVISION EXPENDITURES IN VARIOUS NONPRODUCTIVE AREAS, LEAVING USUAL MINOR DELETIONS TO FULL COMMITTEE IN DEC MEETING. MISSION EXPECTS REPORT, COVERING GUARDING, PERSONNEL, TAXES, ADMINISTRATION, TELECOMMUNICATIONS AND FUEL COSTS IN THE FOUR HOST COUNTRIES, TO BE AVAILABLE FOR USE BY PERMREPS IN THEIR MEETING OF 14 OCT ON NEW COST-SHARING FORMULA. END SUMMARY.

1. IN CONSONANCE WITH CEPPC DECISION DURING JUNE MEETING, BUDGET WORKING GROUP (HOFMAN, NETHERLANDS, FILLING IN FOR PREVIOUS CONFIDENTIAL

PAGE 02 NATO 05514 072331Z

CHAIRMAN, WITKO) MET IN VERSAILLES 1-4 OCT 74 TO CONSIDER 1975 CEPS BUDGET PRIOR TO PUBLICATION OF OFFICIAL PROPOSAL. CEPPC DESIGNED NEW PROCEDURE TO GIVE NATIONAL DELEGATIONS AN EXTRA MONTH TO PROPOSE MODIFICATIONS BEFORE FINAL APPROVAL OF BUDGET

IN DECEMBER. GROUP WORKED FROM HAND DRAFT BUDGET DOCUMENTS AND
CEOA WORKING PAPERS.

2. GENERAL MANAGER PROPOSED BUDGET OF FF 163 MILLION (CUT FROM
FF 166 MILLION REQUESTED BY NATIONAL DIVISIONS), UP 18 PERCENT
FROM 1974 REQUEST OF FF 140 MILLION. INCREASE IS DUE TO RISING
SALARIES(FOR UNCHANGED PERSONNEL ESTABLISHMENT) AND INCREASING
PRICES. REVENUES FOR 1974 HAVE FALLEN FF 10 MILLION SHORT OF
PREDICTIONS, MOSTLY BECAUSE OF DECREASED CIVIL MOVEMENTS (FROM
8.8 TO 7.1 MILLION CUBIC METERS) IN FRG, THE NETHERLANDS, AND
ACROSS NATIONAL BOUNDARIES. LE HAVRE-VALENCIENNES VOLUME WAS
MAINTAINED AND LAVERA-STRASBOURG DECLINED FROM 2.4 TO 2.2 MILLION
CUBIC METERS. MILITARY MOVEMENTS REMAINED CONSTANT AND STORAGE
WAS INCREASED BY 7 PERCENT. GENERAL MANAGER FORECAST SLIGHT
IMPROVEMENT IN CIVIL TRAFFIC FOR 1975 AND ESTIMATES INCREASE IN
TOTAL REVENUES FROM FF 98 MILLION (108 MILLION FORECAST) IN 1974
TO FF 106 MILLION IN 1975 (AT CURRENT TARIFFS). NET DEFICIT
WILL BE SOME FF 57 MILLION (\$11.5 MILLION), UP FROM FF 46.5
MILLION IN 1974 AND, IF TOLERATED, WILL OFFSET MOST OF ADVANTAGE
GAINED BY REDUCING US SHARE TO 24 PERCENT.

3. GROUP DID NOT ENGAGE IN EXAMINATION OF USUAL MINUTIAE(RESULT-
ING IN AVERAGE 2 PERCENT REDUCTION IN ANNUAL BUDGETS) BUT LEFT
THAT TASK TO FULL COMMITTEE IN DECEMBER. MAIN EFFORT WAS CON-
CENTRATED ON PRINCIPAL BUDGET CHAPTERS OF PERSONNEL, OPERATION,
MAINTENANCE, ADMINISTRATIVE OVERHEAD, AND CAPITAL EXPENSES. BY
COMPARING THE OPERATING DIVISIONS WITHIN THOSE FUNCTIONAL AREAS THEY
WERE ABLE TO HIGHLIGHT ANOMALIES CREATED BY VARIOUS NATIONAL
PRACTICES AND REQUIREMENTS. SINCE REPORT IS TO BE FACTUAL, ALL MEMBERS

COOPERATED IN ARRIVING AT FOLLOWING COMPARISON OF ACTIVITIES, TOTAL
EXPENDITURES, AND ANOMALIES.

	FRANCE	GERMANY	NETHERLANDS	BELGIUM
MOVEMENTS (MILLION KM/M3)	3,375	118	230	254

NUMBER OF DEPOTS	16	20	7	9
------------------	----	----	---	---

CONFIDENTIAL

PAGE 03 NATO 05514 072331Z

PUMP STATIONS	45	28	15	15
---------------	----	----	----	----

PUMPING HOURS (000)	121	13	15	14
---------------------	-----	----	----	----

ADMIN OVERHEAD (FF 000)	7,420	4,367	676	547
-------------------------	-------	-------	-----	-----

TAXES - PROFITS (FF MILLION)	4			
------------------------------	---	--	--	--

- VAT AND OTHER	7.4	1.0	0.2	0.2
-----------------	-----	-----	-----	-----

GUARDING (FF THOUSANDS)	6,629	7,208	1,177	1,165
-------------------------	-------	-------	-------	-------

TELECOMMUNICATIONS

(FF THOUSANDS) 1,900 5,100 357 215

TOTAL COST (FF MILLION) 76.0 47.3 17.3 13.9

4. GROUP QUERIED CEOA ON POSSIBILITY OF REDUCING PERSONNEL COSTS WHICH
H

ACCOUNT FOR 55 PERCENT OF BUDGET. GENERAL MANAGER AGREED THAT
CERTAIN LIGHTLY USED LINES WERE OVER-MANNED BUT PROBLEM WAS INSOLUBLE
AS LONG AS

NATO MILITARY MAINTAINS REQUIREMENT FOR 36-HOUR READINESS.

AFCENT REP INDICATED THAT NATO MILITARY AUTHORITIES AND CEPO WOULD
STUDY REDUCTION OF CRITERIA FOR SUCH LINES IF STUDY
SHOWS THAT THEY CONSTITUTE INORDINATE BURDEN ON USERS.

5. SINCE COSTS DID NOT APPEAR LIABLE TO SUBSTANTIAL REDUCTION,
GROUP TURNED TO TARIFFS AS ONLY METHOD TO REDUCE DEFICIT. CEOA
WILL BE PROPOSING MILITARY TARIFF INCREASE AT DECEMBER MEETING OF
CEPPC/CEPO: POSSIBLY AN INCREASE FOR STORAGE FROM 3 TO 3.25 UNITS
OR MORE AND AN INCREASE OF 15-18 PER CENT IN MILITARY TARIFFS IN
LINE WITH INCREASE IN COSTS. US MEMBER (LOVELAND) REQUESTED SIMUL-
TANEOUS EFFORTS TO RAISE CIVIL TARIFFS. CEOA NOTED THAT MOST CONTRACT
S

ALLOW REOPENING OF TARIFF QUESTION ON 1 JAN 75 AND THAT, IN
ADDITION LE HAVRE-VALENCIENNES CONTRACT GIVES AUTOMATIC INCREASE
FROM FF 4.50 TO 5.10 IN OCTOBER WHEN REDUCTION FOR ANTAR INVESTMENT
CEASES. LOVELAND DREW ATTENTION TO NEED FOR 10 PERCENT OVERALL
INCREASE IN REVENUE SIMPLY TO HOLD THE LINE AND SUGGESTED AN INCREASE
CONFIDENTIAL

PAGE 04 NATO 05514 072331Z

OF AT LEAST 15 PERCENT.

6. CHAIRMAN'S REPORT TO CEPPC/CEPO REFLECTING CONCLUSIONS OF WORKING
GROUP IS DUE FOR DISTRIBUTION PRIOR TO MEETING OF PERMREPS
ON 14 OCT ON COST-SHARING FORMULA. MISSION EXPECTS IT TO BE
USEFUL IN SHOWING THAT FRANCE BENEFITS FROM SOME FF 11.5 MILLION
IN TAX REVENUES AND LOADS THE EXPENSE WITH EXCESSIVE GUARDING AND
ADMIN COSTS WHILE GERMANY LOADS THEM WITH GUARDING, ADMIN COSTS AND
INFLATED TELECOMMUNICATIONS CHARGES. (GERMANY HAS ALSO THREATENED
TO ADD FF 5.2 MILLION IN TAXES TO THE 1975 BUDGET.) MISSION WILL
DISTRIBUTE REPORT TO WASHINGTON AGENCIES WHEN RECEIVED.
MCAULIFFE

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 11 JUN 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 07 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ATO05514
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS 12-31-80
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741091/abbryxqf.tel
Line Count: 153
Locator: TEXT ON-LINE
Office: n/a
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 APR 2002 by boyleja>; APPROVED <24 JUL 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CENTRAL EUROPE PIPELINE SYSTEM (CEPS) BUDGET FOR 1975
TAGS: NATO, XG, ETRN
To: STATE
SECDEF INFO JCS
USCINCEUR
PARIS
NSE NSSG BRUSSELS
BONN
USNMR SHAPE

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005